



Laurie Milhiser
Director

Mission Statement

Risk Management seeks to minimize the frequency and severity of financial loss to the County through a coordinated integrated risk management program that includes identification and assessment of exposures that can result in loss, effective risk reduction and loss prevention programs for identified risks, aggressive claims management, and fiscally responsible risk financing and recovery.



GOALS

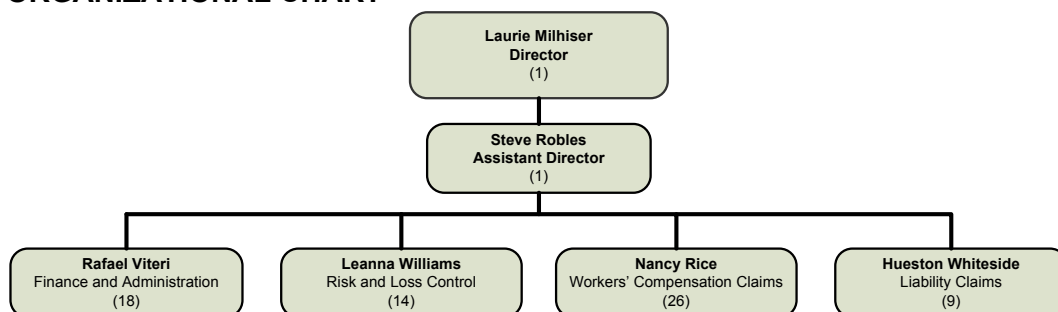
**MINIMIZE THE
TOTAL COST
OF RISK**

**SUPPORT
COUNTYWIDE
RISK CONTROL
EFFORTS**

**DEVELOP A MECHANISM
FOR LONG-TERM
STABILITY OF
SELF-INSURANCE
FUNDING.**

RISK MANAGEMENT

ORGANIZATIONAL CHART



DESCRIPTION OF MAJOR SERVICES

The Risk Management Department is comprised of four divisions: risk and loss control, workers' compensation claims administration, liability claims administration, and finance and administration.

Risk and loss control staff are assigned to support high-risk areas of county operations such as the Arrowhead Regional Medical Center, Sheriff-Coroner, Fire, and Special Districts. Additionally, risk and loss control staff provide support to other county departments and provide training for county employees in areas such as safe driving and Occupational Safety and Health Administration mandated programs. This division also assists departments with the Arrowhead Achievement Program, an incentive program designed to reduce losses.

Workers' compensation claims administration staff focus on providing the best possible care to ill and injured workers at the most economical cost. Workers' compensation benefits are defined by the State of California and recent reforms have improved the way care is provided to ill and injured workers and many cost control measures have been instituted. The workers' compensation claims adjusters are charged with understanding and implementing the complex delivery system, while focusing on getting ill and injured workers well and back to work as quickly as possible.

Liability claims administration staff manage the myriad of claims presented to the county by third parties. Liability claims adjusters coordinate the settlement of legitimate claims with insurance carriers and approve payments from self-insurance funds. Working with County Counsel and outside law firms, the adjusters manage the defense of disputed claims and provide support as needed.

Finance and administration oversee approximately \$290 million in self-insurance funds. In collaboration with the Director of Risk Management, the administrative section manages all aspects of the county insurance programs and oversees the placement of insurance to provide the broadest possible coverage at the most economical cost. Risk assessment works with departments to assure that contracts contain risk transfer language and insurance requirements to protect the interests of the county.

2009-10 SUMMARY OF BUDGET UNITS

	Operating Exp	Revenue	Revenue Over/ (Under) Exp	Staffing
<u>Internal Service Funds</u>				
Operations	6,570,156	6,570,156	-	69
Insurance Programs	66,040,123	68,127,100	2,086,977	-
Total Internal Service Funds	72,610,279	74,697,256	2,086,977	69

GOALS, OBJECTIVES, AND PERFORMANCE MEASURES

GOAL 1: MINIMIZE THE TOTAL COST OF RISK.

Objective A: Optimize insurance vs. risk retention.

Objective B: Maintain actuarially prudent self-insurance funds.

Objective C: Reduce claims costs through aggressive claims management.

MEASUREMENT	2007-08 Actual	2008-09 Actual	2009-10 Target	2009-10 Estimate	2010-11 Target
1A. Cost of risk as a percent of County budget. Target less than 2%	N/A	1.7%	2%	1.8%	2%
1B. Maintain at least 80% confidence level in self-insurance funds/reserves.	80%	80%	80%	80%	80%
1C. Adjuster compliance with performance standards.	N/A	N/A	N/A	N/A	85%

Status

The cost of risk has three components: commercial insurance premiums, the actuarial value of retained losses, and administrative costs. Over the past three years, Risk Management, in conjunction with two Brokers of Record and a consultant, analyzed the overall structure of the county's insurance programs. After careful evaluation of insurance placements and combinations of insurance and various levels of self insurance, the department was able to restructure the insurance programs, taking advantage of conservatively funded self-insurance reserves, thereby reducing the cost of insurance while maintaining coverage at the same levels as previous years. This achieved the department's goal to maintain the cost of risk at less than 2% of the county budget.

Controlling the cost of risk is beneficial to the entire county. Factors that strongly influence these costs are the frequency of loss (number of losses/injuries in a given period), the severity of losses (actual dollars paid once a loss/injury occurs), and the cost of commercial insurance premiums. In previous years, costs were also influenced by the need to restore reserves used to fund self-insured or retained losses falling below insurance levels. Since June 30, 2009, all reserves have been stabilized at the 80% confidence level, as recommended by actuarial analysis. Maintaining reserves at this level is critical to supporting the restructured insurance program. Insurance funds are financed through premiums paid by all county departments. Risk Management developed departmental premium allocations based upon loss experience and recommended premium allocation adjustments designed to more appropriately allocate risk-financing assessments to departments. As a result of achieving actuarial funding targets, the new cost allocation formulas were able to be fully implemented in 2009-10 thus achieving the objective of more equitably assessing premiums while still reducing total premiums paid by each department.

Reducing the number of accidents, while aggressively managing claims, will lead to a reduction in the total cost of the workers compensation (WC) program. In 2009-10, an aggressive subrogation recovery program was implemented, which resulted in increased loss recoveries from legally liable parties. Additionally, the department focused on reducing regulatory penalties associated with the WC program. For 2010-11, performance standards to facilitate consistency and optimize adjuster performance in managing workers' compensation claims consistent with best practices and regulatory requirements will be developed which will include subrogation recognition and penalty avoidance and therefore these two measures will no longer be reported separately.

2008-09 ACCOMPLISHMENTS

- ❖ Completed transition of most insurance programs from Statewide pool to independent coverage, thereby achieving a total cost of risk below targeted level
- ❖ Maintained self-insurance reserves at 80% confidence level
- ❖ Adjusted premium allocation methodology to reflect experience and appropriate exposure factors
- ❖ Introduced Arrowhead Achievement Program to incentivize risk control
- ❖ Completed Risk Management dashboard and made it available to all departments
- ❖ Improved Risk Management Internet website



Ergo Evaluation



Training Class



Accident Scene Investigation

GOAL 2: SUPPORT COUNTYWIDE RISK CONTROL EFFORTS.

Objective A: Provide formal training courses and informal consultation targeting safety, loss control, and risk transfer needs as identified by departments.

Objective B: Expand participation in Arrowhead Achievement Program.

Objective C: Provide interactive communication of risk management data.

MEASUREMENT	2007-08 Actual	2008-09 Actual	2009-10 Target	2009-10 Estimate	2010-11 Target
2A. Percentage increase in formal training classes offered.	N/A	25%	10%	5%	5%
2B. Number of departments participating in Arrowhead Achievement Program	N/A	N/A	5	7	15
2C. Percentage of departments using risk management dashboard.	0%	10%	100%	50%	100%
Percentage increase of visits to Risk Management intranet website.	0%	N/A	50%	70%	25%

Status

The role of the Risk Control Division is to protect the assets of San Bernardino County (people, property, equipment, funds) from the chance of injury, damage, or loss. This is achieved by providing management a source of consultation, guidance, training and technical support relative to Occupational Safety and Health, Loss Prevention, Regulatory Compliance, and Risk/Hazard Analysis, while improving the conditions in which services are rendered to the public. The division provides both formal training and informal consulting services in support of department needs and objectives. Risk Management intends to continue to expand on its offering of diverse safety and risk management related classes to all departments with classes targeted to high frequency exposures.

Risk Management has an Insurance Certificate Management Program designed to strengthen the risk transfer techniques in county contracts so that litigation resulting from contracts can be appropriately born by the contractor. In 2009-10, a training program was developed targeted to departmental contract administration staff to assist them in understanding the contracts standard practice requirements and in how to use the tracking system. In addition to this training, the department continues to provide support to county departments to assist vendors in maintaining compliance with contractual insurance requirements.

The Risk Management dashboard was created in 2008-09 as a tool customized for each department to provide loss data, workers' compensation claim status, and claim related financial data. The roll-out of the dashboard began with the high experience modification (Ex-Mod) departments. The department's intranet website incorporates this tool, thus making it available to a wider audience and providing access to the information at any time.

In 2009-10, this tool was also incorporated into the Arrowhead Achievement Program which was piloted as a new safety/loss control incentive program. This program was designed to assist and motivate departments to evaluate where and how accidents are happening and implement programs to reduce the frequency and severity of these accidents. The program initially began with departments with the highest Ex-Mod factor and will be expanded in the upcoming year to include other county departments. As a function of Arrowhead Achievement Program, Risk Management provides consultation services to departments to help them determine what actions or programs will be most effective in reducing these targeted losses.

GOAL 3: DEVELOP A MECHANISM FOR LONG-TERM STABILITY OF SELF-INSURANCE FUNDING.

Objective A: Create a Joint Powers Authority (JPA) organization, the San Bernardino County Insurance Authority (SBCIA).

Objective B: Develop the loss portfolio transfer of self-insurance funds to SBCIA or other insurance vehicles.

Status

For many years, the county struggled to maintain actuarially sound funding of the self-insurance reserves. Historical underfunding resulted in premium assessments to departments being surcharged to restore responsible funding levels. This goal and related objectives address the concept of a joint powers authority composed of county departments and Board governed special districts that will become the mechanism to provide long-term stability of the self-insurance funds and provide innovative alternatives to meet departments' insurance and other risk management needs. In 2009-10, Risk Management, working with a consultant, has designed the basic format of the proposed JPA and plans to introduce it to the Board of Supervisors during Business Plan Workshop for possible implementation in 2010-11. The department is also exploring commercial insurance alternatives to transfer long term funding obligations.

2010-11 REQUESTS FOR GENERAL FUND FINANCING

The department is not requesting any additional general fund financing for 2010-11.

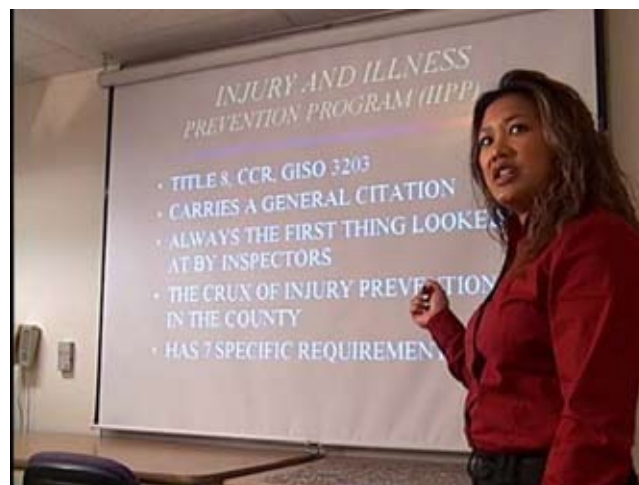
2010-11 PROPOSED FEE/RATE ADJUSTMENTS

The department does not have any fees in the county fee ordinance; however, the department does charge insurance premium rates. These rates are reviewed annually and adjusted based on actuarial reports to maintain 80% confidence levels in the self-insurance funds, and to ensure full cost recovery.

If there are questions about this business plan, please contact Laurie Milhiser, Director, at (909) 386-8620.



Drivers Training Class



Workers Comp Training Class